



ON-FARM WATER ENHANCEMENT PROGRAM

(Approved March 1, 2003)

(Amended December 16, 2005)

The following guidelines have been developed for the establishment of county On-Farm Water Enhancement Programs utilizing County Agricultural Development Funds.

This document provides program goals, eligible investments, and implementation guidelines for agencies seeking to initiate a local program. Guidelines are considered to be minimum standards by which a program is to be implemented.

Questions concerning these guidelines should be directed to the Governor's Office of Agricultural Policy at (502) 564-4627. Application for funds must be directed through the local County Agricultural Development Council(s).

I. Program Goals

The goals of the program are to:

- Impact a high number of producers affected by loss of income resulting from cuts in tobacco quota. An adequate water supply is essential to the future growth and development of Kentucky agriculture and is vital to continued diversification efforts.
- Present farmers with the opportunity to develop on-farm water enhancement systems to address limited water resources. Specifically, this program will give farmers the ability to adopt a proactive and systematic approach to expand existing water supplies or to develop alternative water sources
- Ensure farmers engaged in crop and livestock production have access to water resources, which is imperative to maximize yields, increase production, control costs of production and improve net farm income
- Provide program guidelines that will ensure that any on-farm water enhancement plans that are implemented are in compliance with local, state and federal regulations.

II. Eligible Cost Share Items

Eligible Cost Share Items will include materials (including filter fabric pads), parts, equipment*, cost of contracting construction and drilling for the following on-farm water enhancement systems:

1. Establishing and enhancing on-farms ponds
2. Drilling for subsurface aquifers and well establishments
3. Developing and piping on farm springs
4. Construction of small stream water basins

*Eligible equipment is defined as equipment used as part of the on-farm water enhancement system, including permanent waterers, underground piping, and fencing to protect water source. It does not include construction or drilling equipment.

Prerequisites

- Plank fencing is not eligible for cost-share
- Funds will reimburse material expenses and vendor labor. Labor provided by the individual applicant can only be considered for project MATCH. Documented grower labor may be used as match (\$16/hour), not to exceed 25% of total project cost. Applicant labor is NOT eligible for cost-share. [For construction projects.]

III. Application Procedures

A. Guidelines for Local Agency Application for Program Administration

1. The local agency must be qualified and willing to administer the full responsibilities of the program. A tax identification number, a letter expressing a willingness to administer the program, and an indication of specific individuals that will be responsible for administering and reporting on the program must be included in the application.

The local agency shall document that they have a background in and thorough knowledge of all current water-related laws, regulations, and other relevant issues.

2. Regional agencies may participate as grantees, if Agricultural Development Councils from the region concur. Regional grantees will be required to account for Agricultural Development Funds on a county-by-county basis and may spend County funds only in the County from whose account funds are drawn, unless the respective County Agricultural Development Council has agreed to fund an expenditure outside its county boundary.
3. The program administrator shall identify two co-signers for the purpose of signing checks and disbursing funds from the program's account. The program administrator shall indicate who they are and their position within the organization.
4. Either the fiscal agent or the individuals who sign checks for the program shall be bonded or appropriately insured at a level sufficient to cover the amount of the funds being administered. Documentation of bonding or appropriate insurance shall be submitted with the signed legal agreement.
5. The local agency must communicate in the application the activity and scope of existing related county programs that farmers can access through other agencies. Need for a new program must be clearly evident in the application.
6. The *County Model Program Application*, including cover sheet and all other documents specified in the application, must be submitted with a *County Priority Sheet* for new program requests. Requests for additional funds, within the 12-month term of the original agreement, require the *Application Cover Sheet* and the *County Priority Sheet*.

The program administrator shall also submit minutes of a business meeting held within the past 12-months where signatory authorization is given to the Authorized Representative listed on the application cover sheet.

7. Agricultural Development Funds contributed to the program cannot exceed 50%, unless the program administrator or the County Council determines that a reduced match is needed for this program.

The Council may approve a reduction in the producer's cost-share for this program to an amount **no less than** 25%. This decision and the cost-share percentages shall be indicated on the *County Council Priority Sheet*, which is sent to the Agricultural Development Board with the application.

8. Counties shall place a dollar cap on the maximum cost share per producer [defined by Social Security Number (SSN) / Tax Identification Number (TIN) and Farm Serial Number (FSN)] for **On-farm Water Enhancement** of up to **\$5,000** for the 12-month period from the execution date of the legal agreement between the administrator and the Agricultural Development Board.
9. There is a Lifetime Maximum of \$15,000 for this program. "Lifetime Maximum" means that **no producer, defined by Social Security Number (SSN) / Tax Identification Number (TIN) and Farm Serial Number (FSN), shall receive more than \$15,000 in this program, retroactive to the beginning of this program.**

Therefore, any producer who has already received a total of \$15,000 for this program is no longer eligible.

10. Any funds requested for administrative purposes shall not be used to replace the funding sources of existing or established salaries and positions. Program administration funds may be used for costs above and beyond normal duties and salaries that are associated with:
 - a. Processing of producer payments;
 - b. Processing of producer applications;
 - c. Completion of program reporting forms;
 - d. Promotion of program availability;
 - e. Cost of bonding; and
 - f. Program compliance activities

One or more local agencies may combine administrative functions to create more efficient programs of grant administration.

11. The program administrator shall ensure that commingling of agricultural development funds does not occur. Therefore, the program's funds shall reside in a unique and separate bank account from any other account.

Administrators who are the fiscal agent for multiple counties may keep at a minimum one account per county. However, one account per program per county is preferred.

12. Local program sign-up and advertising shall not occur prior to the execution of the legal agreement between the program administrator and the Agricultural Development Board.
13. Attendance at an educational session is a prerequisite for producer participation in this program. It is the responsibility of the program administrator to coordinate an educational session for interested participants. This educational session

should be conducted by the Cooperative Extension Service, and include technical assistance from relevant agencies, such as the Division of Conservation, the Division of Water, and NRCS. The objective of the educational session is to have every participant be able to develop an on-farm water enhancement plan to address his/her specific needs.

B. Guidelines for Local Agency Administration

1. After receiving a copy of the executed agreement, there shall be a minimum of two consecutive weeks of advertising with applications being accepted no earlier than two weeks after the date of the first advertisement. This must occur for each sign-up period, if there is more than one sign-up during the duration of the grant agreement.

For example, when the administrator receives a copy of their executed agreement they may begin advertising for sign-ups. If the first advertisement runs January 15, then the first application may be taken January 29.

2. An advertisement must, at the very least, be prominently displayed in the county's newspaper where the most farmers will see it. A copy of the advertisement, which included the name and date of the newspaper, shall be submitted to the KADB staff.
3. The application and program promotion and communication plan should be outlined in the agency's application for Agricultural Development Funds. The application shall be submitted to and approved by the program administrator before the producer can receive reimbursement for any costs incurred.
4. A producer application for the program must be developed by the administrative agency. Award of cost-share funds shall be based upon evaluation criteria established prior to application for funds.

Administrators are strongly encouraged to use a scoring system that gives tobacco dependent farmers priority, by providing points for tobacco dependency. KRS 248.711 (2) (h) states that eligibility for county funds shall require that tobacco farmers be given priority. The program administrator will establish a committee or process to review each application for completeness and score each application according to the evaluation criteria established for the program.

Suggested evaluation criteria may include, but not be limited to:

- a. Degree of applicant's tobacco-producing dependency
- b. Applicant's prior receipt of Agricultural Development Funds;
- c. Percentage of personal income from farming
- d. Quality of answers by the applicant of the following
 - i. Applicant's description of the problem that their on-farm water enhancement plan will address

- ii. Applicant's report on how cost-share for their on-farm water enhancement plan will improve overall profitability
 - iii. Applicant's explanation of how implementing an on-farm water enhancement plan will assist the producer with future changes or assist in meeting objectives and goals of the farming operation
- 5. In cases where there is a waiting list, it is recommended that extra points be part of the scoring system to ensure that those approved, but not receiving funds in the prior 12-month program, receive priority in the new program.

Applicants must indicate their intent to be considered in the new program, or their application will not be automatically rolled over into the new program for funding consideration.

- 6. Deadlines shall be established for producer application and reimbursement periods so producers have concrete timelines to implement the program. Should they fail to meet the deadlines for reimbursement, they must reapply to be considered for cost-share.
- 7. Approved producers must submit the Producer Report associated with the program/investments being cost-shared, before reimbursement funds are received.

These Producer Reports are for the Administrator to use in filling out the reports for the program, and to maintain on-file.

- 8. The program shall be open to all county/regional producers and shall not be tied to participation in any organization.

Administrators shall not reject an application solely based on the applicant's residency, assuming funding is available and the application meets the program guidelines. Administrators shall accept an application if the applicant's farm is located in the county and the cost-share will be used in the county, even if the Farm Serial Number (FSN) is registered in another county.

- 9. Each individual/producer who receives \$600 or more shall be supplied an IRS form 1099 or equivalent tax accounting documentation. The program administrator is responsible for distributing the necessary tax information.
- 10. The program administrator may choose to include eligible model cost-share program expenses for reimbursement on a retroactive basis. However, this retroactive date shall not be more than 12 months prior to the producer's application for this program.
- 11. The administrative agency shall make a site visit to all applicants to perform an initial assessment, eligibility determination, and cost-share estimate. A second site visit shall be conducted for all approved applicants to verify compliance with

program guidelines and to authorize disbursement of funds.

12. Legal agreements between the program administrator and the Agricultural Development Board shall be for a term of 12-months from the execution date of the agreement. There will be no renewals or extensions of this agreement.
13. If funds set forth in the agreement between the Agricultural Development Board and the administrator are not completely utilized within the term of the legal agreement, then remaining funds, including interest, shall be returned to the Agricultural Development Board for redeposit into the county's account.

Checks should be made payable to the **Kentucky State Treasurer**.

14. Any and all interest earned on funds for this program shall be applied to this program. Any remaining funds, including interest income, shall be returned to the Agricultural Development Board for redeposit into the county's account at the end of the term of the agreement. All interest earned shall be reported on a quarterly basis.
15. **Reporting: Mid-term Reporting**, which includes the *Model Program Summary* and *Fiscal Detail Report*, is required of the program administrator 6-months after the execution date of the legal agreement. Reporting forms can be downloaded from http://agpolicy.ky.gov/funds/program_reporting.shtml. These reporting forms shall be submitted electronically to govkyagpolicy@ky.gov or on a diskette mailed to Governor's Office of Agricultural Policy/404 Ann Street/Frankfort, KY 40601.

A **reconciliation report** is due 60 days after the term of the agreement. The reconciliation report includes, but is not limited to, the *Model Program Summary* and the *Fiscal Detail Report* for any payments made since the mid-term report. Also, copies of bank statements with check numbers and amounts shall be kept on file according to the legal agreement and presented in the event of an audit. Administrators shall maintain all administrative records for this program for a period of seven (7) years.

The **Close-out** of this agreement may occur when the above is completed and verified, and any programmatic data due from producers is submitted. This final close out may occur at a date beyond the reconciliation, depending on the program.

16. Model program guideline compliance and mid-term reporting of expenditures are essential to gauging the impact and continuity of the program. Therefore, county model programs may be audited on a random basis. The administrator shall produce all documents pertaining to individual producers who participate in this program, as well as other appropriate financial documents related to this program's account.
17. For this program, the program administrator may **distribute awards** to applicants in **multiple increments**, similar to the "Hay, Straw, & Commodity Storage" program

C. Guidelines for Producer Application Development by Local Agency

1. A producer application for the program shall be developed by the local agency. The application and program promotion and communication plan shall be outlined in the agency's application for funds under the model program.
2. The producer application must be signed and dated by the producer and must include a date/time stamp from the program administrator, as well as the initials of person logging in the application.
3. Postmarks or dated letters of application shall not override the stamp applied by the administrative body.
4. A producer application from an individual without a Tax ID (TIN) / Social Security (SSN) Number and Farm Serial Number (FSN) will be considered incomplete.

For all capital construction projects/improvements, the land owner **must** be the applicant.

5. The producer application shall clearly state all pertinent requirements, including evaluation criteria.
6. A statement regarding the understanding of requirements by the producer and verification of the producer's total cost-share awarded under this program shall be included with the application. The **Producer Certification Form** (Appendix A) must be included in the producer application for this program.

D. Producer Funding Guidelines

1. Fund distribution to producers will be on a reimbursement basis.
2. The producer shall supply a numbered and dated receipt indicating buyer and seller information in order to be eligible for payment. Payment shall only be made for eligible cost-share items identified in Section II of these guidelines.
3. Producers who intend to take part in the program shall supply a Social Security (SSN) or Tax ID TIN) number and Farm Serial Number (FSN) to receive payment. Both of these numbers must be supplied to the Agricultural Development Board.

The Agricultural Development Board recognizes every applicant's right to privacy and understands it's obligation to keep applicant/producer information confidential. Any information provided to the Agricultural Development Board or Program Administrator on individual producer applications for model programs, such as the applicant's Social Security / Tax Identification Number, will be kept confidential by authority of the Agricultural Development Board as granted in KRS 248.701 to 248.727 and by KRS 61.878. The Agricultural Development Board does not disclose any nonpublic personal information regarding applicants/producers, past or present, except as permitted or required by the Kentucky Open Records Act, KRS 61.870 to 61.884 or other law(s).

4. Producers shall provide an annual report on the program and maintain ownership of the property for 5 years past the participation date in the program.

5. Should the producer fail to utilize funds by the program administrator's reimbursement deadline, said funds shall be reallocated to the next available application. Additionally, the producer must reapply to be considered for cost-share funds.
6. To be eligible for the On-farm Water Enhancement Program the producer must be engaged in crop and/or livestock production.

Approved livestock producers are required to have a rotational grazing plan. Approved crop producers shall provide a water management plan that will include, but not be limited to, scheduling, timing, amounts, recycling, controlling erosion, monitoring system of plan.
7. Producers shall retain adequate insurance coverage, if applicable, to replace any and all on-farm water enhancement systems funded with Agricultural Development Funds.
8. To participate in this program, each producer is required to attend an educational session conducted by the Cooperative Extension Service. This session shall provide technical assistance that will give producers the ability to develop an on-farm water enhancement plan to address their specific needs. The on-farm water enhancement plan shall include a budget of the total cost of the project and computation of the economic benefit if the plan is implemented.
9. Recipients shall have an Agriculture Water Quality certificate on file at the local conservation district office.
10. All practices shall be planned and certified to meet NRCS Standards and Specifications.
11. Recipients shall obtain all necessary permits and abide by all applicable local, state, and federal regulations pertaining to water enhancement.

Producer Certification Form

(Producer: Please retain a copy for your records. Administrator: Please keep with producer's application.)

The overall mission of the Agricultural Development Fund is to help the agriculture community diversify their agricultural operations and increase net farm income. To that end, Model Programs were developed to provide cost-share assistance to individual producers through a local program administrator. To judge the success and impact of these programs, as well as monitor the distribution of these funds, the Agricultural Development Board requires the below information. This information is required for a producer to receive funding.

All confidential information provided by the applicant shall be protected by the Agricultural Development Board and the County Agricultural Development Council, as outlined in the model program guidelines and the Kentucky Open Records Act, KRS 61.870 to 61.884.

Name:	
Farm Serial Number (FSN):	Social Security (SSN) / Tax ID (TIN) Number:
Farm Address:	
Farm County:	

Funds Received through This Model Program

Please list all funds received through the _____ (specify program)
model program by year in this or any other county.

2001-2004: \$	2005: \$	Total Funds: \$
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If this form is being used for the Cattle Genetics Improvement Program, then please list the number of bulls received, in addition to the above funding information.

of Bulls:

Note: Please refer to the model program guidelines for 12-month term maximums and lifetime program maximums.

I, _____, hereby certify that I have read all of the terms and requirements for this program and agree to follow the guidelines. I understand that I am required to provide all of the above information prior to participation in this program.

I also certify that I have not received funds for this model program from another county for the above FSN within the last 12 months¹.

I agree to use the funds I receive in the manner intended by the Agricultural Development Board and the Program Administrator. I further agree to provide copies of invoices, receipts, cancelled checks, etc. to the Program Administrator.

I will report the progress and results of these improvement practices and any resulting economic value to my operation.

Signature:	Date:
Name Printed:	

¹ Note: Hay, Straw, & Commodity Storage and Farm Livestock Fencing participants shall not have received funds within the last 18-months.